



INTERMEDE

INVESTMENT PARTNERS

Russell Investments - Growth & Value Discussion Slides, May 2020

Barry Dargan
Portfolio Manager & CEO

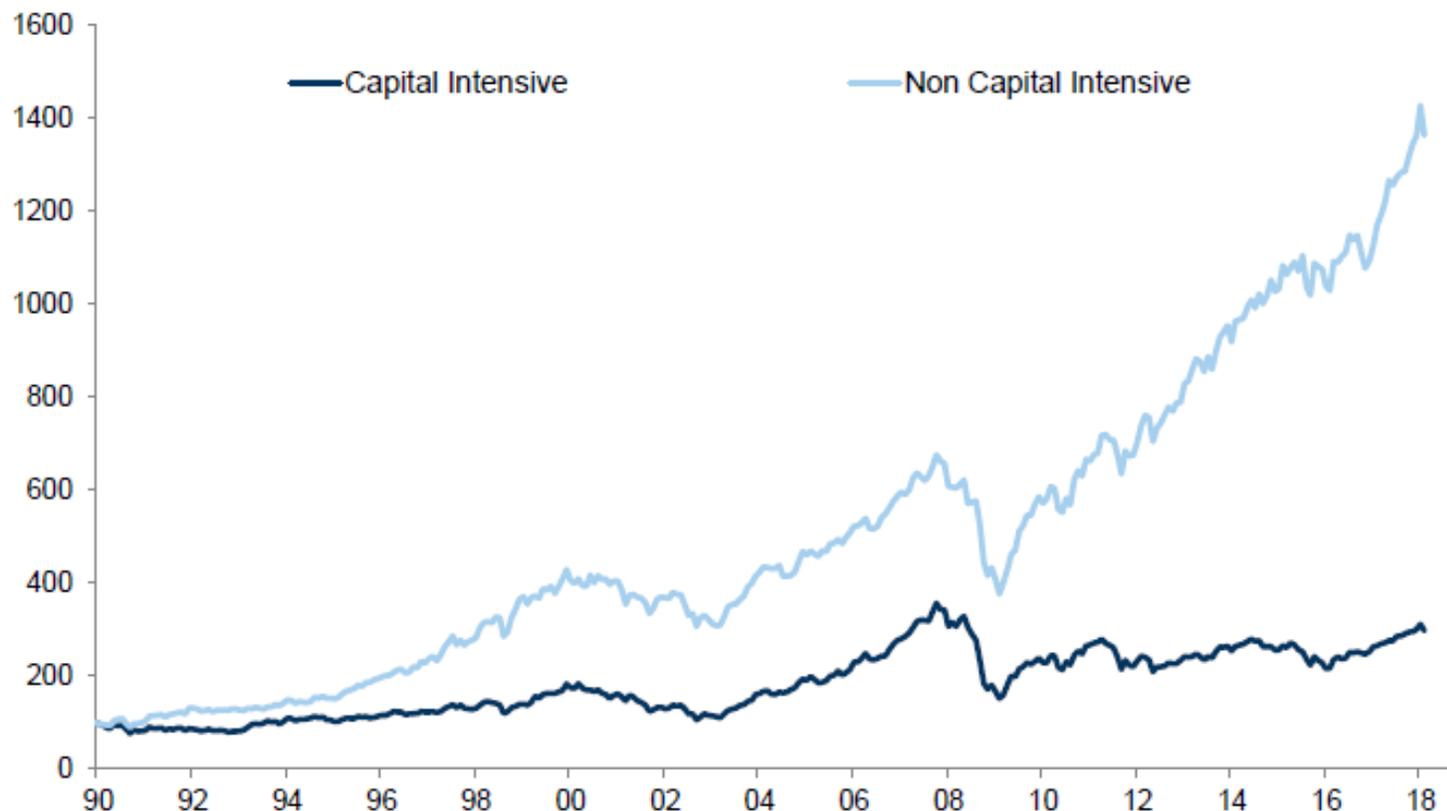


Russell Investments - Growth & Value Discussion Slides, May 2020

Patrick Kaser
Managing Director and Portfolio Manager

Capital Intensive Businesses Have Underperformed

Exhibit 8: Performance of capital and non capital intensive sectors
World aggregate



Capital Intensive Sectors:

Forestry & Paper, Industrial Metals & Mining, Automobiles & Parts, Leisure Goods, Construction & Materials, Oil Equipment & Services, Fixed Line Telecommunications, Mobile Telecommunications, Electricity, Gas, Water & Multiutilities

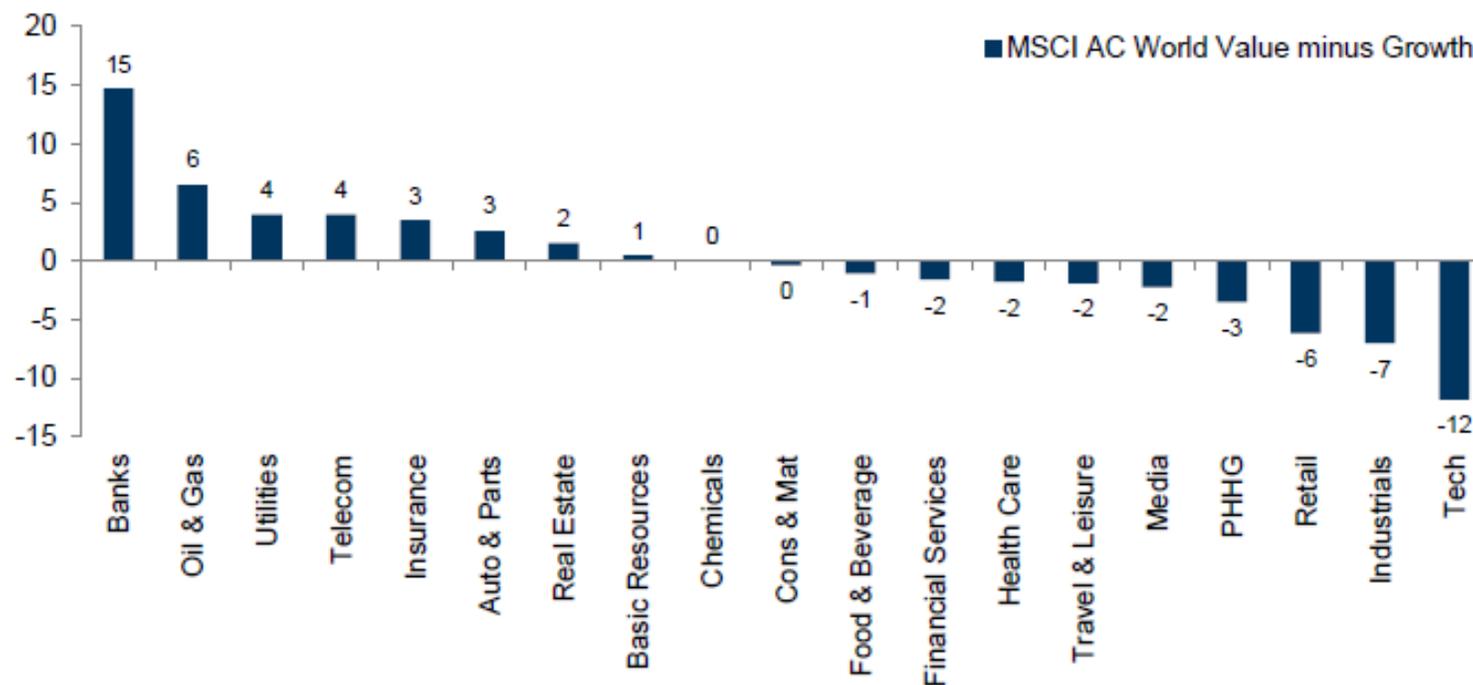
Non Capital Intensive Sectors:

Beverages, Food Producers, Household Goods & Home Construction, Personal Goods, Tobacco, General Retailers, Health Care Equipment & Services, Pharmaceuticals & Biotechnology, Software & Computer Services, Technology Hardware & Equipment

Contrasting Characteristics of Growth & Value Indices

The MSCI World value index contains significantly more asset-heavy cyclical businesses than its growth counterpart, and has grown earnings at approximately half the rate of the growth index since 2008:

Sector weight differentials

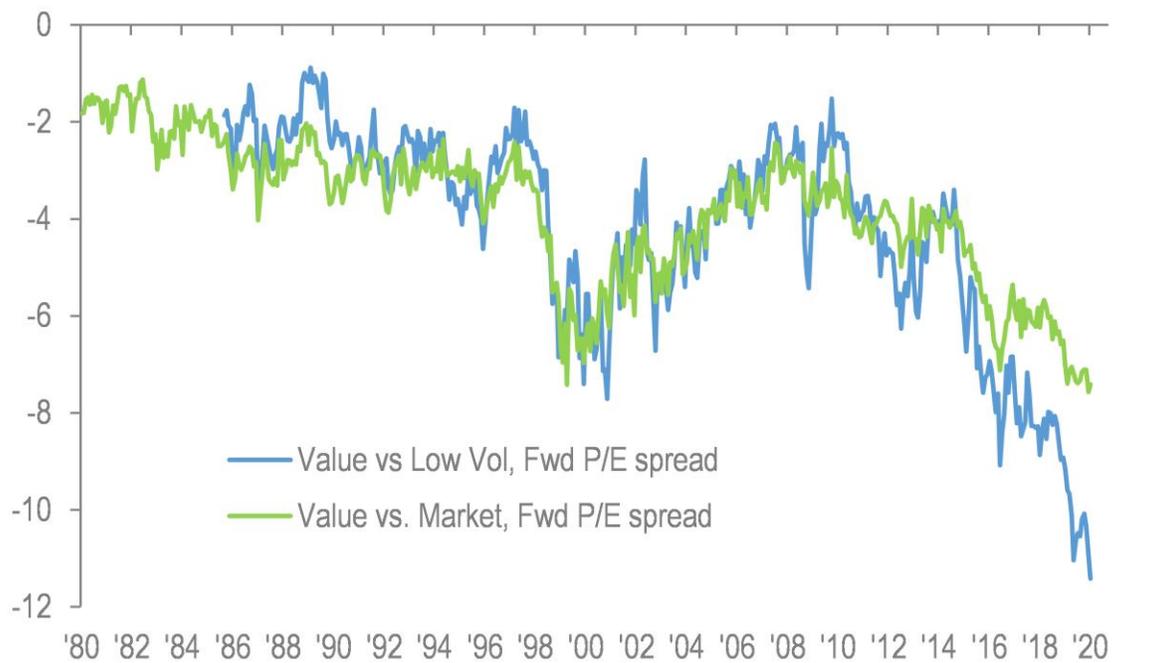


Value Has Experienced Sustained Underperformance, But the Snapbacks Can Be Violent

As of 3/31/2020

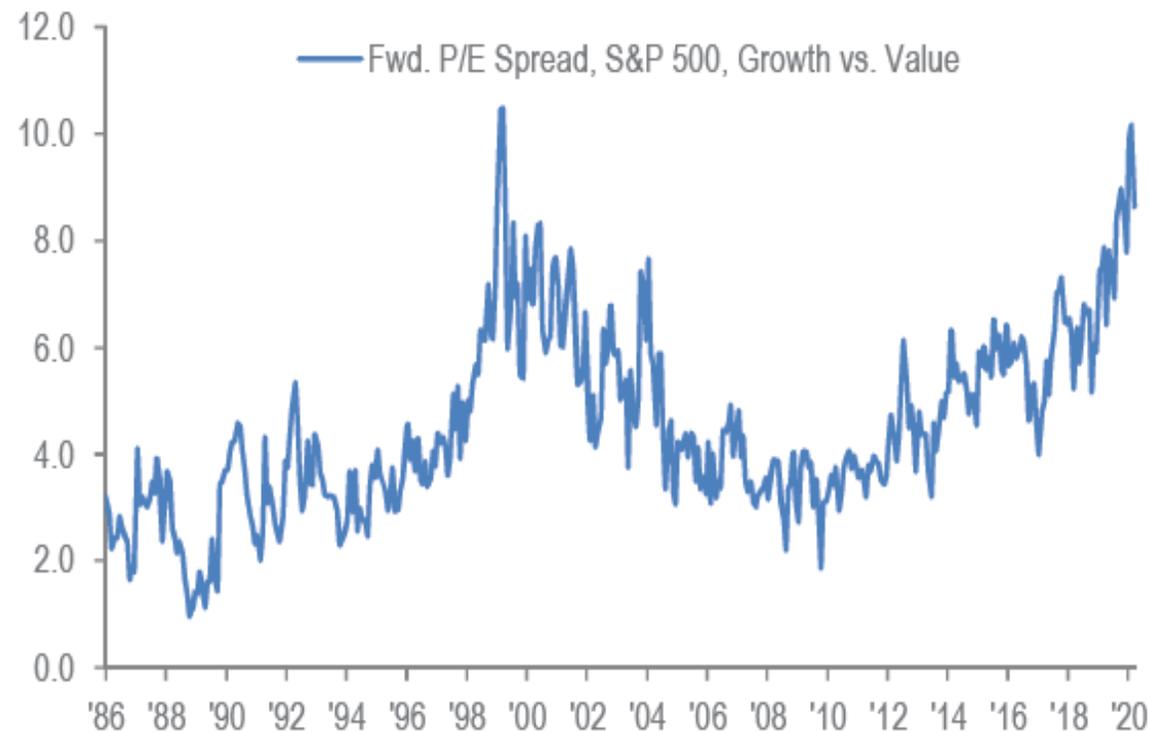
The gap in valuation is unprecedented historically

Valuation Spread Between Value and Low Volatility: 2x Larger Than During the Tech Bubble



As of: February 2020 Source: J.P. Morgan

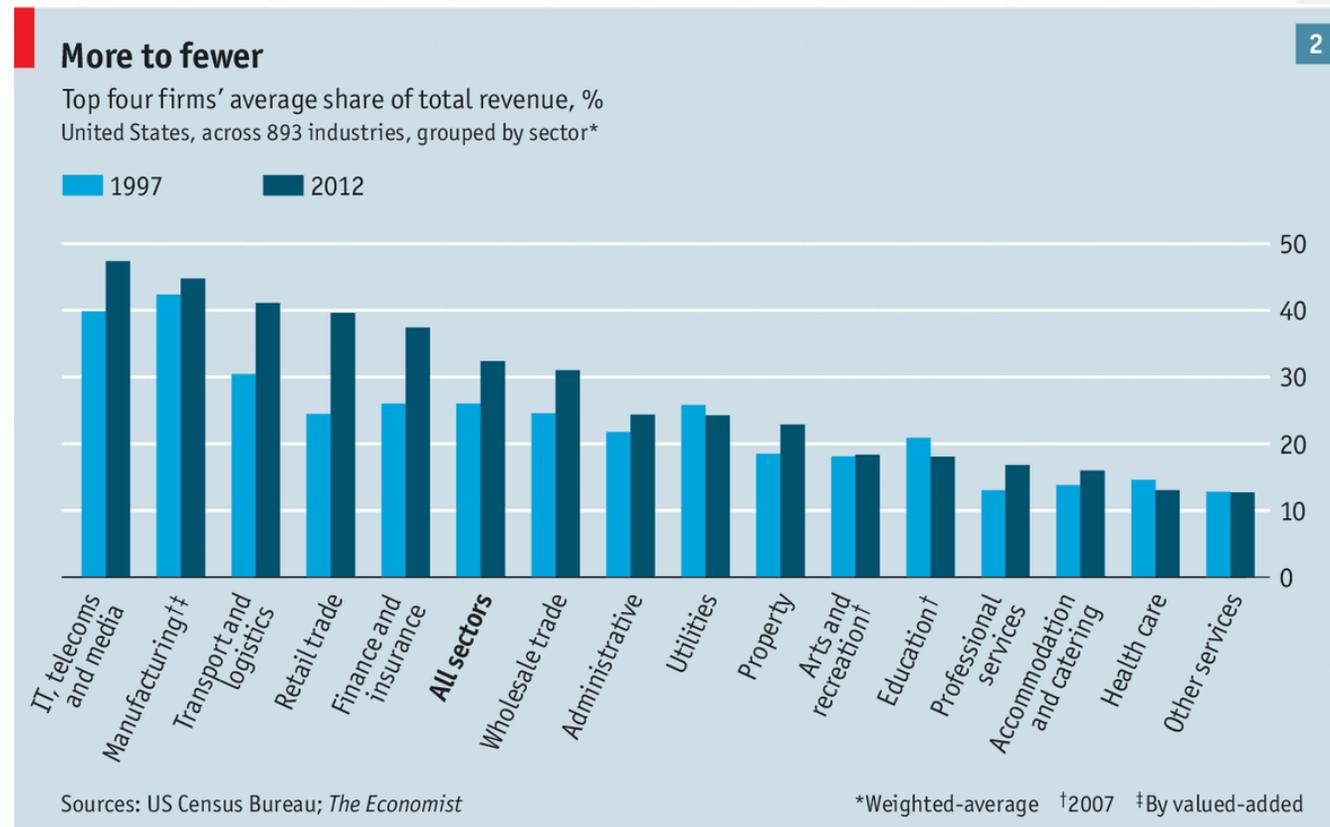
Relative Valuation of Growth vs Value



As of: March 2020 Source: J.P. Morgan

Mega-trend: Concentration

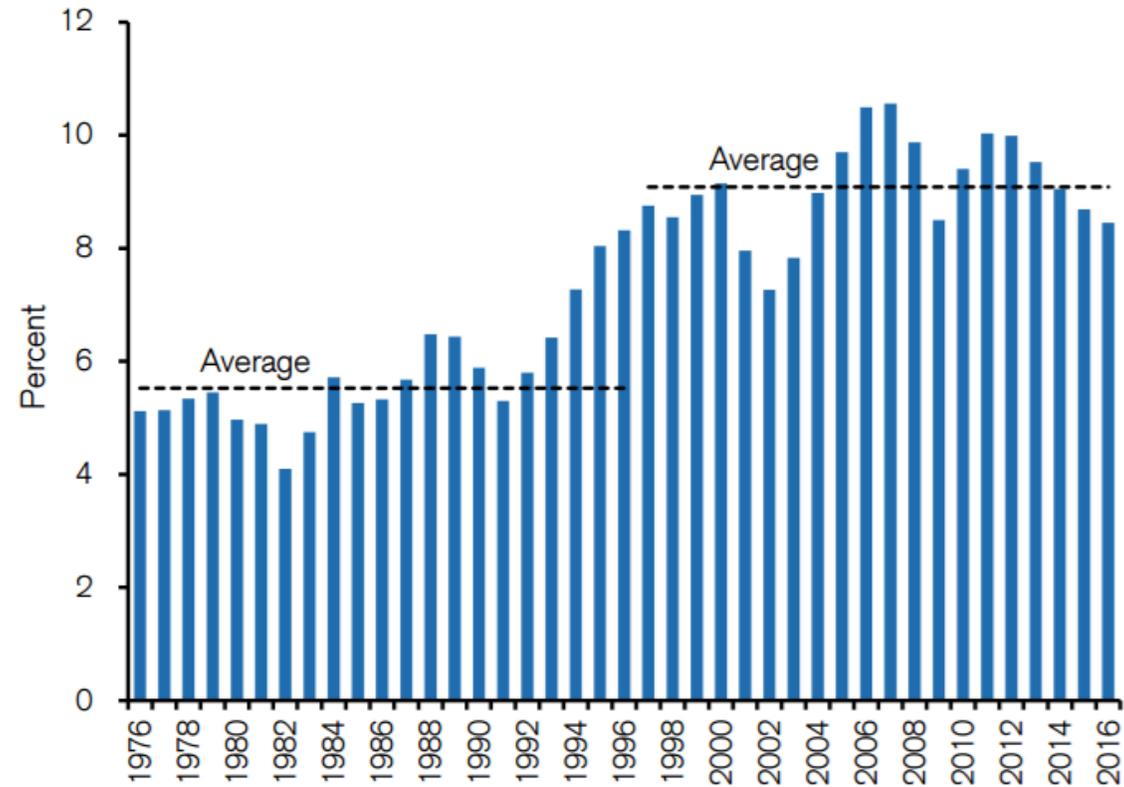
Leading firms across the majority of industries are capturing a greater share of total revenues (most pronounced in tech space)



Mega-trend: Higher Returns

There appears to have been a step change in the profitability of US businesses

Exhibit 6: CFROI for U.S. Companies, 1976-2016



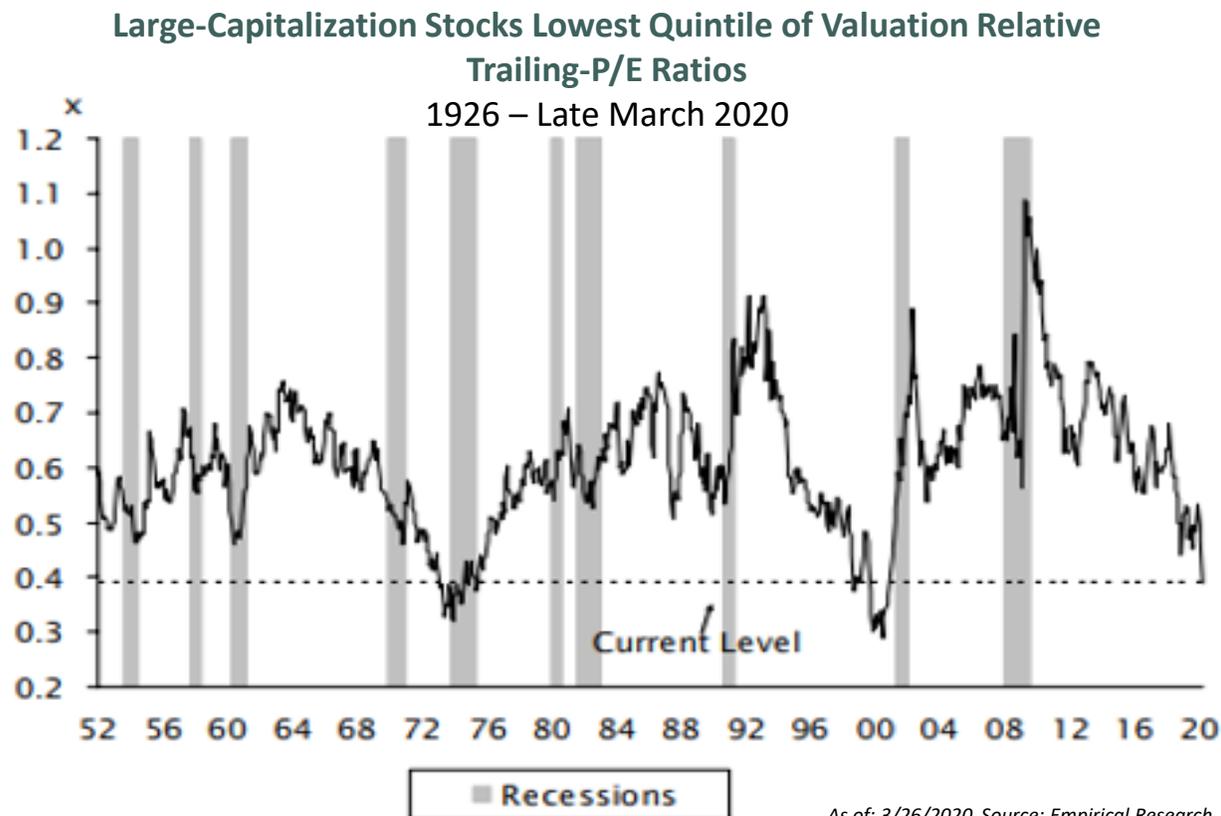
Source: Credit Suisse HOLT®.
Note: U.S. industrial firms, weighted by net assets.

The Environment Offers Historic Levels of Opportunity

As of 3/31/2020

The valuation dispersion between the cheapest stocks and the average stock was recently at a level of disparity rarely observed over the preceding 94 years, and still resides at an extreme level of mis-valuation.

To reinforce the point of extreme valuation, ranked on PE ratios, stocks are at a level only observed twice previously.



As of: 3/26/2020, Source: Empirical Research

*Prior to 1952, the spread is measured using the price-to-book data as of the largest 1,500 stocks.

The Views expressed above represent the opinions of Brandywine Global Investment Management, LLC, which are subject to change and not intended as a forecast or guarantee of future results.

Bank Stocks Demonstrate Investor Fear, and Opportunity

As of 3/31/2020

Banks have reserved for a substantial portion of major anticipated losses, but are trading as if losses will be greater than the GFC.

| Cumulative Hypothetical Losses Over 9 Quarters | | | | | | | | |
|---|-------|-------|-------|-------|-----------------|-------|-------|-------|
| (\$, billion) | BAC | C | JPM | WFC | MS ^b | CMA | CFG | BPOP |
| Estimated Cumulative Loan Losses | 35.1 | 39.1 | 38.3 | 25.5 | 2.2 | 1.4 | 5.1 | 2.4 |
| Allowance for Loan Losses as of Q1 20 ^a | 17.1 | 13.7 | 25.4 | 12.0 | 1.1 | 1.0 | 2.2 | - |
| % of Cumulative Losses | 49% | 35% | 66% | 47% | 52% | 70% | 43% | - |
| Stressed Cumulative Losses % of Tangible Common Equity | 20% | 26% | 20% | 19% | 3% | 21% | 37% | - |
| <i>a) Includes allowance for unfunded lending commitments</i> <i>b) MS allowance includes 610mil mark-to-market losses</i> | | | | | | | | |
| | | | | | | | | |
| 3/31/2020 | BAC | C | JPM | WFC | MS ^b | CMA | CFG | BPOP |
| Price | 21.23 | 42.12 | 90.03 | 28.70 | 34.00 | 29.34 | 18.81 | 35.00 |
| Tangible Book Value Per Share (TBVPS) | 19.79 | 71.52 | 60.71 | 32.90 | 43.28 | 48.65 | 31.97 | 55.10 |
| Price / Tangible Book | 1.07x | 0.59x | 1.48x | 0.87x | 0.79x | 0.60x | 0.59x | 0.64x |
| <i>Note: for BPOP, TBVPS is as of 12/31/19</i> | | | | | | | | |

Disclaimer



This material has been prepared and is furnished solely in connection as a one-on-one presentation by Intermede and is not for public distribution. It is not to be construed as investment advice. This document is directed only at persons “in the United States” as defined by the United States Securities Act of 1933, as amended (the “US Securities Act”). This document is not to be distributed to any investor that is not a “qualified purchaser” as defined by the United States Investment Company Act of 1940 (“US Company Act”).

Rates of return and other assumptions are for illustrative purposes only, with dividends reinvested and are net of fees and expenses. As an example, an account with an initial \$1,000,000 investment on October 1st, 2014, earning a recurring 2.4125% quarterly gross return (10.00% annualized), and paying a 0.20% quarterly management fee (0.80% annual fee) based on end of periods assets, would have grown to \$1,610,510 on a gross of fees basis and \$1,547,640 on a net of fees basis by September 30, 2019 (5 years). Actual return and performance may vary significantly from the illustration and examples given.

This material has also included the application of potential market return based in part by historical market data. Thus, the potential effect of future market risk is not taken into account. There is no guarantee that the intended projections or results will be achieved. Past performance does not guarantee future results and may differ for different time periods. All investments are subject to the risk of loss. Values may fall as well as rise and you may not get back the amount you invested. Income from investments may fluctuate. Certain information contained herein has been obtained from third-party sources and such information has not been independently verified by Intermede. No representation is made as to the accuracy or completeness of such information. Index performance and statistics are provided for comparison purposes only and relate to the MSCI ACWI is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The index is maintained by Morgan Stanley Capital International (MSCI), and is comprised of stocks from both developed and emerging markets. They are not meant to be indicative of Intermede portfolio performance, asset composition, volatility, or other attributes, which will differ significantly from those of the index. Index returns do not take into account transaction costs or other fees and expenses. It is not possible to invest directly in an index.

This document has been produced by Intermede Investment Partners Limited (“Intermede”) a limited company registered in England and Wales (Reg. No. 8827481), having its registered office at 6 Warwick Street, London W1B 5LU, United Kingdom. Intermede is authorised and regulated by the UK Financial Conduct Authority with firm reference number: 624278. Intermede is registered as an Investment Adviser with the Securities and Exchange Commission in the United States. This document is distributed in, and directed at recipients in, the United States only. The distribution of this document into any other jurisdictions may be restricted and accordingly any persons in such jurisdictions into whose possession this document comes are required to inform themselves about and to observe such restrictions.

Persons who do not have professional experience in matters relating to investments should not rely on this document.

This document has been provided for information purposes only and has not been provided as either a solicitation or recommendation with respect to the purchase or sale of any securities. The information contained in this document does not constitute an offer to purchase securities to any person in the United States or to any U.S. Person as such term is defined under the US Securities Act of 1933.

The information provided is believed to be accurate at the time of compilation and is provided by Intermede in good faith. However, Intermede does not make any representation as to the quality, accuracy, reliability, timeliness or completeness of the material. Except in so far as liability under any statute cannot be excluded, Intermede, its directors, employees, representatives and consultants do not accept any liability (whether arising in contract, tort, negligence or otherwise) for any error or omission in the material or for any loss of damage (whether direct, indirect or consequential) suffered by you, the recipient of the information or any other person.

The information contained in this document is not intended to be and should not be taken as investment, tax, legal or any other type of advice. It does not take into account the objectives, financial, tax or legal situation or needs of any investor or purport to be comprehensive and should not be relied upon as such. You must obtain professional or specialist advice before taking, or refraining from, any action on the basis of the content on this document. This information is issued and approved by Intermede, a member of the NAB Group. An investment with Intermede is not a deposit or liability of, and is not guaranteed by, the NAB Group. All information is to be treated as confidential and may not be reproduced or redistributed in whole or in part in any manner without the prior written consent of Intermede. This document is not intended for public use or distribution.

Intermede Investment Partners Ltd claims compliance with the Global Investment Performance Standards (GIPS®). A copy of the firm’s GIPS® compliant presentation can be viewed on page 33 of this document. Copies of all GIPS® composites are available upon request.

Copyright © 2020 Intermede and/or its affiliates. All rights reserved.